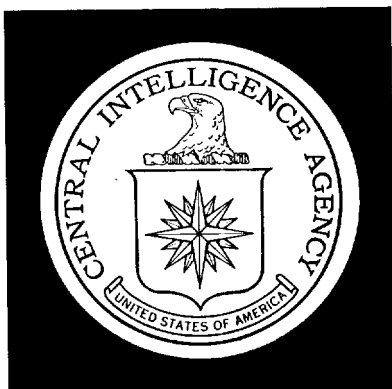


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

NAVY review
completed.

State Dept. review
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8 October 1971

No. 0391/71

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Communist China: *The Unsolved Mystery*

The origins of the troubled political situation in Peking remain shrouded in mystery. Ethiopian Emperor Haile Selassie's six-day visit—he arrived in Peking on 6 October—may cast some light into the corners. He reportedly was to meet Mao Tse-Tung on 6 October but has not yet done so. The military air stand-down, the still unexplained crash of a Chinese aircraft deep within the borders of Mongolia, and the unprecedented cancellation of several traditional National Day activities all seem to be symptoms of political turmoil at the top. It seems certain that China's leadership has been plunged into an upheaval of the first magnitude, but the evidence is not conclusive as to what set it in motion or when and how it is likely to be resolved.

The most obvious sign of serious disarray is the unprecedented curtailment of the traditionally festive celebrations held in conjunction with National Day, 1 October. In addition to the decision to cancel the parade, after several weeks of preparation, diplomats in Peking were told at the last minute that the banquet normally hosted by Premier Chou En-lai on the eve of National Day would be replaced by an abbreviated reception sponsored by the Foreign Ministry. As in the case of the parade, Chinese officials tried to explain the move as just another "reform." The real purpose was probably to avoid the top-level turnout a banquet would require. Furthermore, for the first time in many years the regime failed to publish an editorial on National Day. The decision not to publish appears to have been made at the last minute and suggests that the leadership was unable to agree on even a bland statement.

The continued absence from public view of nearly all military members of the politburo, while their civilian counterparts appear regularly, indicates that whatever the issue, the controversy which apparently now centers within the military establishment is unresolved. In particular, more attention is being focused on the status of Mao's designated heir, Lin Piao, who has not appeared

in public since early June. Peking has demonstrated considerable sensitivity to rumors that Lin is in poor health, and there are signs that the regime may be taking steps to crack down on such speculation at home.

Other top military leaders who have been out of sight since the current round of troubles began are army chief of staff Huang Yung-sheng, air force commander Wu Fa-hsien, and navy political commissar Li Tso-peng. All three had important political roles during the Cultural Revolution and almost certainly are heavily involved in the present political maneuvering. Squabbling among these military figures would very likely be intense should a sudden decline in Lin Piao's political or physical condition give rise to succession questions.

Another factor that could contribute to uncertainty in high military councils is the question of personnel assignments in certain politically important regional military commands. For example, the commander and the political commissar of the Peking Military Region, both of whom held concurrent posts in the civil government structure, apparently were removed late last year. Thus far, there is no firm evidence that replacements have been named for them. This suggests that the question has been the subject of considerable debate within the leadership councils at the center.

The current status of Hsu Shih-yu, an important regional military figure in east China, is also uncertain. Hsu has been out of sight since 6 June, and a recent provincial broadcast revealed that another man may have moved into Hsu's post as commander of the Nanking Military Region. Any change of this magnitude would

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almost certainly be connected with the unsettled situation in Peking.

Although some elements of the Chinese populace have been told that the present crisis atmosphere derives from Soviet "pressures," neither Peking nor Moscow has stepped up public polemics since early September. The long-drawn-out Sino-Soviet talks in Peking are apparently continuing in routine fashion.

Whatever the motivation and significance, developments since mid-September seem to be a new and more critical manifestation of the power struggle within China's ruling politburo that emerged from the ninth party congress in April 1969. The deep-seated personal rivalries and policy disputes that surfaced during the Cultural Revolution probably continue to be the major ingredients in the crisis, although it is uncertain what brought it to a head now and who the primary adversaries are. The possibility is not excluded that a succession struggle has been precipitated by a dramatic change in the physical or political status of either Mao or Lin.

WHERE
ARE
THEY
?



Chief of Staff
Huang Yung-sheng

Air Force Commander
Wu Fa-hsieu

Navy Commander
Li Tso-peng



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Cambodia: Taking Stock

The Cambodians do have some things to cheer about despite the government's wary decision to call off celebrations marking the first anniversary of the founding of the Khmer Republic on 9 October. Not only has the regime stood up to Communist military pressure, substantial economic dislocation, and increased political discontent, but it has also made the difficult psychological adjustment to the prospect of a long and difficult war. Assuming that the Communists stick to their low-cost strategy in Cambodia, the government's most difficult task in the coming months may be to maintain its political cohesion and stability.

As the dry season approaches, the leadership's determination to resist the Communists on the battlefield has been strengthened by the army's improved showing in the past few months. Although the army is still heavily dependent on allied air strikes and on elite Khmer Krom units, there is evidence that the training and experience Cambodian officers and men have gained over the past year have begun to pay off.

The army's Chenla II operation to open Route 6 to Kompong Thom town has made slow but steady progress since it was launched on 20 August and it reportedly achieved its objective early in the week. Although the Communists have offered little resistance, Cambodian planning, coordination, and logistic support has been far more professional than during the operation to clear the same highway just a year ago. Smaller government sweep operations during the rainy season along other main roadways—while less impressive than Chenla II—have also reflected growing military confidence and a corresponding willingness to take the war to the enemy.

On the economic front, the riel is showing signs of stability following the drastic deprecia-

tion in early summer. Prices of foodstuffs and locally manufactured goods in Phnom Penh have also dropped, and the capital's stocks of rice are being maintained by regular government truck convoys from the northwest. Although prospects for the forthcoming rice harvest are less grim due to a late season surge of planting, some rice may have to be imported in 1972.

The government is pushing ahead with a comprehensive program of fiscal and monetary reforms designed to reduce the enormous budget deficit and to halt the steady deterioration of the country's economic position. The regime is continuing to seek international participation in an exchange support fund—the key element of its reform program even though initial reactions by prospective donors have been discouraging.

Though the short-term military and economic outlook seems somewhat brighter right now, the prospects for political stability in Phnom Penh are clouded. Despite warnings from his doctors, Lon Nol is now working a full day. This not only fans renewed concern over his health, but it irritates many officials. The disturbing fact remains that there is no potential successor on the horizon who can command the respect and support—particularly within the military—that he enjoys.

For the moment, given the lack of any organized effective civilian opposition and the poor chances for holding elections, it appears that the self-effacing but politically dominant military establishment will retain its strong influence over Lon Nol and will encourage his predilections for resorting to more authoritarian means of governing. The prime minister's recent dismissal of In Tam and his reluctance to renew the National Assembly's mandate have served to underscore an evolving polarization between Cambodia's military and civilian elites.

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Indochina

South Vietnam: Return to Normalcy?

The South Vietnamese political climate may be somewhat calmer now that the presidential election is over. It could be that the country's major political forces will decide to take a breather and a few soundings before deciding what to do next. Vice President Ky has indicated that he hopes for prolonged agitation by radical student and veterans' groups. But he failed in his attempts to stir up large-scale antigovernment demonstrations at election time, and his prospects do not appear any brighter now.

The An Quang Buddhists, the opposition group most capable of causing major trouble, began to take a harsher position against President Thieu in the final days before the election. Now, An Quang is backing an opposition committee set up to plan a long-term campaign against the government. Despite the use of more strident language, the Buddhists probably will continue to move cautiously to avoid provoking the government into taking repressive measures.

Thieu is pointing to the election returns as a vote of confidence. According to government figures, more than 87 percent of the country's registered voters went to the polls and over 94 percent of these cast their ballots for Thieu. It seems likely that officials in some provinces may have padded the figures, at least on voter turnout. The claimed turnout was greater

than the 84 percent voting in the 1967 presidential contest. This seems high in view of the calls by the Buddhists and others for a boycott. Nevertheless, it is apparent that political agitation by radical students and veterans aimed at disrupting the election process was generally ineffective.

The Communists' antielection campaign, largely mortar, rocket, and terrorist attacks, was also ineffective. There were numerous shellings, but the over-all impact was small; only light casualties and damage were inflicted. There were only a few instances where the Communists actually tried to bloc voting by direct attacks on polling places.

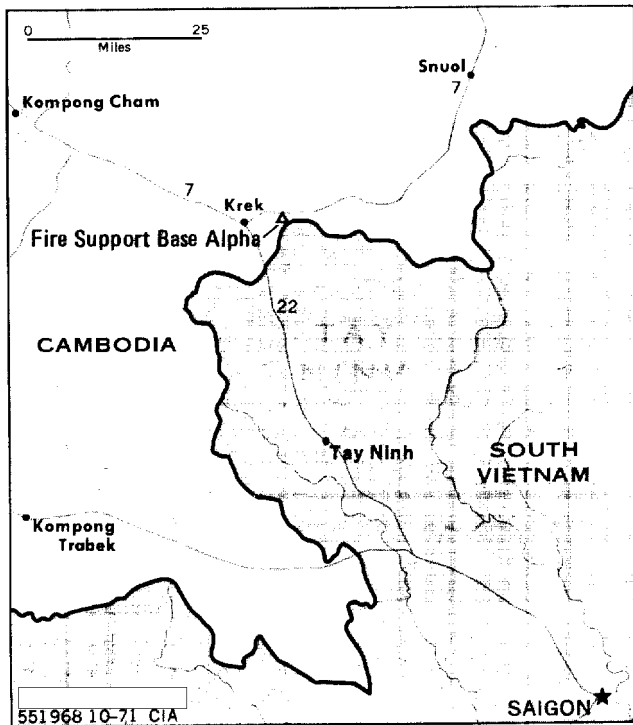
In the wake of Thieu's heavy-handed tactics and the consequent one-man race, political elements of all persuasions will be watching closely to see whether Ky and other militant opposition leaders have any staying power. For his part,



The Ky Camp

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more vigorous opposition in the legislature than he has in the past. He probably will be able to gain approval for most of his requests, but he may have a tougher time. A major economic reform package that the government plans to implement in the near future could also cause political difficulties. The reforms are designed largely to stimulate economic growth and increase government revenues, but they could create inflationary pressures. If they should trigger price rises, the government is likely to come in for harsh criticism again, as it did following some past reforms.

A Good Showing At Krek

South Vietnamese forces, aided by heavy air and artillery support, have reportedly inflicted severe losses on the Communists east of Krek during the week. The 174th Regiment of the Communist 5th Division, which was involved in the Krek action, has now withdrawn to the east. The results of this action by the South Vietnamese against the enemy division that hurt them badly at Snoul last spring will help restore the morale and fighting spirit of the South Vietnamese. They fought well and without the assistance of US ground forces.

Nevertheless, the Communist forces—one infantry and one artillery regiment plus a division headquarters—still pose a strong threat in the border area. South Vietnamese artillery bases and field positions along Route 22 north of Tay Ninh city have been the targets of enemy shellings almost daily since this latest round of enemy action began on 26 September.

Thieu seems fairly confident that he can ride out the furor among the urban political elites and that he will be able to defuse the opposition generally. The President reportedly hopes to get Ky out of his hair by sending the vice president on an overseas assignment after Ky's term expires.

With a new Lower House just elected, President Thieu faces a number of immediate practical problems in the weeks to come. The fall session of the National Assembly convened this week, and the President is likely to face a larger and

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Laos: Preseason Pause

Military action has been relatively light throughout Laos for another week as both sides take stock before the dry season begins. North and northeast of the Plaine, pilots continue to report increased Communist activity that presumably is related to North Vietnamese efforts to redeploy and resupply units in this area.

Farther south in the Paksong area on the Bolovens Plateau, the principal concentration of Communist forces appears to be north of the town, and enemy-initiated activity has increased there in the last few days. Irregular units sweeping south and west of Paksong continue to clash with small North Vietnamese units, indicating that this area is still far from secure. Poor weather has hampered air support for government units around Paksong. This has given the North Viet-

namese an opportunity to regroup and resupply their forces.

Government forces in Paksong and Lao Ngam north of the plateau have been reduced by seven irregular battalions. Only 14 battalions, plus a few support companies and an artillery battery, are left in the area. Three battalions were sent back from Paksong to their home base in Military Region 3, presumably for rest and refitting before the beginning of dry-season activity in that area. A four-battalion irregular task force in the Lao Ngam area was withdrawn because of morale problems and desertions. So far, only four companies of neutralists have been sent to replace this force, although other neutralist units will be dispatched if command problems and the troops' reluctance to leave safer areas can be overcome. The over-all reduction of forces in Military Region 4 will reduce the government's ability to consolidate its position and to keep nearby enemy units off balance.

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South Korea: *Party Woes as O Goes*

The National Assembly censured Home Minister O Chi-song late last week and brought to the surface deep-seated factionalism within the government's Democratic Republican Party, seriously embarrassing President Pak. In the censure vote, some 25 DRP legislators broke ranks against Pak's orders and joined the opposition. The move against O was really aimed at Prime Minister Kim Chong-pil, a close political ally. The prime minister had reportedly benefited from the home minister's appointments in the Korean National Police made at the expense of anti-Kim elements in the hierarchy.

The break in party discipline took Pak by surprise. It also presented him with a difficult choice—either take action against the anti-Kim forces, which he organized to serve as a check on the ambitious prime minister, or let them off and

thus appear to fail in his support of Kim. Pak's response thus far has been an attempt to support Kim and yet not decimate the prime minister's political opposition. Party elements supporting Kim engineered the mass resignation of the executive committee on 4 October, providing Pak with an opportunity to take action. He has accepted the resignations of four leaders of the anti-Kim faction but has replaced them with a group only slightly less hostile to the prime minister.

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Pak will probably be reluctant to take any further action against the anti-Kim faction but may still face additional difficulties.

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EUROPE

Russian Globetrotters in Asia and Africa

Moscow's peripatetic leaders began in earnest this week their campaign to offset Peking's increased stature. President Podgorny was in southern Asia and Premier Kosygin in North Africa. Podgorny was given the unusual honor of a personal send-off by party leader Brezhnev, a gesture not repeated later in the week when Kosygin took off.

Podgorny in Asia

The most important stop on Podgorny's itinerary is clearly Hanoi, where he arrived on 3 October. To lay the groundwork for a successful

visit, the Soviets took belated notice of the recent US bombing raids over North Vietnam. Tass on 1 October strongly condemned the attacks and reiterated Soviet support for Hanoi. Podgorny took along fellow politburo member Mazurov and a host of senior officials from the party, military, Foreign Ministry, and aid and trade departments.

His remarks on Moscow's desire to improve relations with the Chinese notwithstanding, Podgorny is clearly intent on reaping whatever gains he can at the expense of Peking in the wake of the recent movement in Sino-US relations. In the wake of special Chinese efforts to ease the strain



Podgorny (far right) Leaving Moscow with Mazurov (far left)

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in Sino-Vietnamese relations resulting from this movement, Hanoi has curtailed its open polemics, but the North Vietnamese are probably especially anxious to keep relations with Moscow in good repair of this crucial time. The rhetoric out of Hanoi is effusive. The Soviets are stressing the continuity and reliability of their support, and the Vietnamese are expressing gratitude for past and present Soviet assistance and are restating their resolve to continue the struggle to the end.

On his way to Hanoi, Podgorny made what is becoming the customary stopover in New Delhi. His remarks there regarding the situation in East Pakistan cannot have been satisfying to the Indians. Podgorny was milder in his criticism of the West Pakistanis and firmer on the necessity of avoiding war than was Kosygin during Mrs. Gandhi's visit to the USSR last week.

Podgorny also stopped off briefly in Rangoon, doubtless hoping to apply cold water to the recent warming in relations between Burma and China. He implied that additional Soviet assistance would be provided to further encourage the Burmese along their path to a "socialist democracy."

Kosygin in North Africa

Kosygin is due to arrive in Morocco on 8 October after a four-day visit to Algeria. His itinerary is identical to that of Podgorny's visit to north Africa in 1969. Podgorny accomplished a variety of ceremonial purposes but failed to bridge the political differences between Moscow and the Maghreb. Kosygin is expected to have similar results.

The initiative for Kosygin's visit to Algeria apparently came from the Soviets who, judging by the make-up of the delegation, wanted to talk about economic and trade relations. These have been strained over the past few years; the Algerians have been slow to draw on Soviet eco-



Premier Kosygin

nomie credits and have shown a marked preference for Western equipment and expertise.

Kosygin probably made some effort to bring the two states closer together on contentious political issues. Boumediene has regularly denounced the Soviets for their support of the Arab-Israeli cease-fire and has demanded the departure of all foreign—including Soviet—naval forces from the Mediterranean.

Whatever the political results of the Kosygin visits, he will have dramatized once again Moscow's interest in the western Mediterranean. Neither Algiers nor Rabat is prepared to permit Soviet influence over its policies, but both seem willing to accept broader relations with the Soviets.

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Soviet Exercise in the Pacific

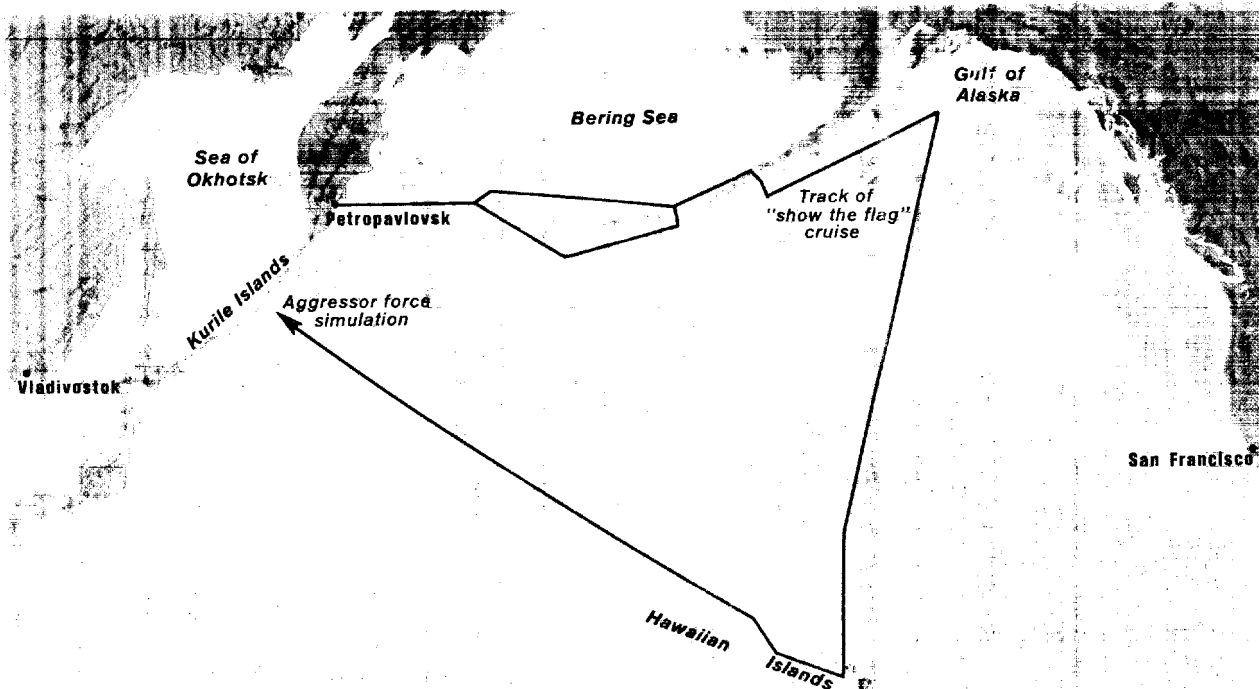
A major Soviet naval exercise, under way in the northwest Pacific for five weeks, has ended. Most of the ships and submarines involved have returned to Petropavlovsk and Vladivostok. The exercise included helicopter and ASW training, missile firings, and a high level of participation by naval air units. During the exercise at least ten nuclear and diesel submarines and a like number of surface ships operated in and around the Sea of Okhotsk, the Kurile Island chain, and the Bering Sea.

An additional group of seven ships—three missile equipped surface ships, two F-class diesel-

powered submarines, and two support ships—conducted a "show the flag" cruise to the Gulf of Alaska and the Hawaiian Island area in early September. While en route to home waters last week, this group took part in the exercise by simulating an aggressor force as it approached the Kurile chain.

The only significant departure from recent Soviet naval usage was the cruise through Hawaiian waters, the first since 1966. Other than that, the scope and number of participants in this "Defense of the Homeland" exercise were similar to the last big Pacific exercise in July and August 1970.

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Soviets End Naval Exercise in Pacific

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Mixed Results at Geneva Disarmament Talks

The 25-nation arms control conference in Geneva adjourned for the year last week, having decided on the final day to endorse the US-Soviet draft convention curbing biological weapons. The superpowers, however, may encounter considerable criticism in the UN General Assembly this fall over the failure to make more progress toward a comprehensive ban on nuclear testing.

Agreement on the convention was the only substantive accord reached at Geneva this year. A key factor in the negotiations was the Soviet decision last spring to back away from insistence that any agreement would have to include chemical weapons as well as biological. The nonaligned bloc of 12 states also backed away from including chemical weapons when the US convinced them that prohibition of chemical weapons could not be verified adequately at present. The assembly is expected to accept the draft convention and open it for signature by December.

Discussion at Geneva this year on the test ban issue focused on verification problems, and a growing number of participants seem to doubt that either the US or the USSR genuinely desires a comprehensive test ban. A nonaligned memorandum submitted

UN-CANADA: The Canadian's long-promised initiative on peace-keeping is in the final stages of ministerial coordination and may be presented next week. Preliminary indications are that it could pose problems for the US.

Details of the Canadian scheme are not yet available, but it apparently would give the key role in conducting peace-keeping missions to the military staff committee of the Security Council rather than to the secretary general. Such an arrangement would seem closer to the Soviet preference for strong council controls than to the US view that a secretary general must have latitude for at least the daily conduct of peace-keeping operations. There has been a recent drift toward the Soviet position

on the eve of the Geneva adjournment calls on the superpowers to give "priority" attention to the subject and to take "an active and constructive part" in negotiations. The principal proponents are expected to make a determined effort during the current assembly session to secure passage of a resolution similarly placing the burden for progress on the superpowers.

Advocates maintain that a ban will serve to prevent erosion of support for the nonproliferation treaty and complement agreements reached in the strategic arms talks. Canada this year has been the most vociferous in seeking testing curbs, in large part out of concern over US plans for a high-yield underground detonation in the Aleutians soon.

The Soviets have sparked some interest with a proposal that a world disarmament conference be convened as "a matter of expediency and urgency." Soviet Foreign Minister Gromyko last week told the assembly that agreement on a date for the session should be reached before the end of 1972. He added that the world-wide conference should meet every two or three years as a semipermanent body that would not, however, infringe on the negotiations at Geneva.

among the middle and smaller powers, who now regard a Western veto on the council to be as good a protection of their interests as the actions of a neutral secretary general once appeared.

Canada is a leading member of the General Assembly's Committee of 33 on peace-keeping, and its suggestions will probably be welcomed by most of the other members. The initiative will at the least require considerable study and thus serve to prolong the committee mandate, due to expire this fall. The Canadians have told the US they will oppose discussion of partial measures, such as the creation of a roster of units earmarked for UN peace-keeping, as detracting from consideration of their proposal.

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NATO: *Renewed Interest in Defense Cooperation*

Bonn and London, spurred by the monetary crisis and by concern about US intentions regarding Europe, are reassessing the organization of West European defenses. One result may be greater stress on new programs of intra-European cooperation than on "burden-sharing."

Within the last year, the members of the Eurogroup—the European caucus in NATO—worked out at US urging the European Defense Improvement Program through which they would share a greater portion of NATO expenses. The program, although still not fully subscribed, is financing new aircraft shelters and helping to pay for the new NATO communications system. The group will meet once or twice before the NATO ministerial in December to assess the burden-sharing program and possibly reorient their efforts.

Officials of the West German and British foreign offices have recently discussed a marked shift away from the burden-sharing approach. They agreed that the Eurogroup should become active in exploring ways to improve conventional defense capabilities through cooperative efforts.

The Europeans are faced with a dilemma. They view US troop cuts as inevitable and believe it is more important than before that Europe

contribute to the maintenance of a credible conventional defensive capability. They find themselves limited, however, by constraints on military spending resulting from increasing demands for social expenditures and from pressures growing out of detente expectations. One solution they see is to make better use of their resources through cooperative efforts in such endeavors as weapons development and joint training programs. And the fallout from the new US economic policy appears to be providing new impetus in this direction.

The French position, as odd-man-out in alliance matters, remains a potentially serious limitation on defense cooperation. The French are also concerned about maintaining an adequate European defense, and a close adviser of the prime minister claimed recently that France is willing to undertake a greater share of the burden of free world defense in order to prevent withdrawal of US forces. Paris has not said how it envisages doing so in conjunction with the other Europeans. The French have stayed out of Eurogroup activities so far, and the other allies are unclear how far Paris will be willing to go toward joint programs even if these were less closely tied to the NATO framework. [REDACTED]

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ICELAND: In a shift of tactics, the center-left coalition in Reykjavik has arranged to open negotiations with the British next month over fishing rights in waters around Iceland. Current arrangements allow the UK and West Germany to fish outside a 12-mile limit. The primary aim of the government, which assumed power in July, is to extend the country's fishing limits to 50 miles, an issue on which it enjoys broad domestic support.

Originally intending to abrogate the UK and German agreements unilaterally, Reykjavik now apparently wishes to pursue tactics more defensible abroad and avoid being called before the International Court of Justice. The government has made no recent moves on its other major foreign policy objective of negotiating a withdrawal of US military forces. It still intends to initiate talks early next year. [REDACTED]

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International Economic Developments

The consensus is that last week's International Monetary Fund meeting in Washington produced only a "first step" toward resolving the international financial crisis, and that negotiations will be long and arduous.

The most optimistic comment thus far came from the Netherlands' Finance Minister Nelissen, who believes that an early resolution can proceed without threat of further trade restrictions by any country. The comment from London likewise has been optimistic, and stems from what is viewed as greater US flexibility on the price of gold and removal of the import surcharge. French Finance Minister Giscard D'Estaing has stated it now seems possible, and perhaps likely, that "serious" negotiations will be undertaken before the end of the year. The French, like many others, remain convinced that the free market cannot be counted on to produce an acceptable international currency alignment as advocated by the US. West German Finance Minister Schiller, although reiterating the importance of a small dollar devaluation against gold, has endorsed the US proposal for temporarily permitting major currencies to float freely. He fears, however, that the current situation will last longer than desirable.

In related developments, the Common Market and Britain formally protested proposals by the US to exempt imported capital goods from the investment tax credit and defer taxes on US export earn-

ings. The protest note warned that such measures are discriminatory and could result in retaliatory actions.

To dampen further appreciation of the pound by stemming the inflow of foreign currencies, London has imposed additional restrictions on foreign holdings of certain UK securities. Following announcement of the new ban, the pound dropped from 3.8 percent above par to 3.5 percent.

Rumors of yen revaluation continue in Japan, but Tokyo appears to be waiting for moves by the US and Western Europe before doing so. In the interim, Tokyo apparently has decided to relax somewhat the bounds on its controlled float. This week, the value of the yen moved 8.6 percent higher than the old official rate after the Bank of Japan considerably reduced its intervention in the foreign exchange market.

The Japan Economic Research Center, a highly respected independent research agency, last week published an 18-month economic forecast that assumed a 14.3-percent increase in the value of the yen relative to the dollar and removal of the US import surcharge prior to the end of 1971. Its prognosis is considerably more optimistic than other recent Japanese forecasts and sees the major impact of revaluation concentrated in the first quarter of 1972 with the economy rebounding to a rate of real GNP growth in excess of ten percent during the fiscal year that begins 1 April.

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EC Concerned about Agriculture

Largely because of present monetary arrangements, farm policy is again a major concern within the European Community. Last week, the agricultural ministers of the Six debated the consequences if exchange rates continue to float within the Common Market. It became clear that safeguarding the agricultural system—the most integrated area in the

community—will not be easy until considerable progress is made toward monetary union.

The ministers agreed with the commission that, although no significant disruptions of trade have occurred thus far, fixed exchange rates within the community are necessary to assure the smooth

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operation of the Common Agricultural Policy. Since Bonn and The Hague floated their currencies in early May, compensatory import levies and export subsidies were introduced to offset the reduction in farm prices that the floats would otherwise entail in these countries. This system has become less manageable now that, in the wake of the US actions, there are three different prices within the market for each farm product. Moreover, compensatory measures always lag behind exchange rate changes upon which they are based. Continuation of this situation could induce greater reliance on national farm markets to the detriment of trade, and on other national measures incompatible with the Common Agricultural Policy.

A return to fixed parities poses serious problems, since the new exchange rates will differ from the ones at which the common prices were determined. Three solutions are possible. Farmers losing out because of lower prices could be granted income compensation. The European unit of account—in which the common prices are expressed—could be adjusted. Or the present system of compensatory subsidies and levies could be maintained. Germany objects to the first two, claiming they would involve heavy budgetary outlays; Bonn wants to maintain the compensatory system even after new parities are fixed, despite charges that this would lead to isolation of the German market and constitutes a “sabotage” of the Common Agricultural Policy.

Eventually, a solution to the agricultural problem—probably involving a new value for the unit of account and progress toward monetary union—may have to be sought at the highest political level, possibly at a summit meeting in early 1972.

In the meantime, the community is unable to decide on agricultural prices for 1972-73 or to make much progress on the agricultural reform proposals the commission had hoped to push through with the price increases. Moreover, delay in setting the new prices probably means that they will ultimately be set at higher levels than the original three-percent average increase the commission had suggested. This

could pose a further threat to US agricultural exports, especially grains, which the Europeans produced in record amounts this year.

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Further Erosion likely in East-West Trade Controls

The COCOM states (NATO members, less Iceland and Portugal, plus Japan) meet later this month to consider the levels of control on trade with Communist states. Like the last time the list was reviewed, the US will be fighting a holding action to limit the degree of relaxation of the controls.

The re-examination occurs against a distinctly unfavorable background. In 1968-69, a number of controls on exports to the USSR and Eastern Europe were relaxed, although more severe restrictions on exports to Communist China were maintained. Japan, for one, has indicated that it will no longer accept this China differential. Since the earlier review, the number of applications for exceptions—relatively small until that time—has increased sharply. Virtually all have been approved, and the value of such exports rose from \$40 million in 1969 to \$106 million last year.

The exceptions requested have concentrated on advanced electronics, such as computer and telecommunications systems. The requests have focused

on components, instrumentation, and technology in these areas. Britain and France have made the most requests, followed by the Italians. In some cases, COCOM members have taken unilateral action, informing the organization only after a deal is put through.

The basic problem confronting the US is that the increase in exception requests includes equipment with capabilities far above those covered under COCOM cut-offs as well as technology having both military and civilian uses. In both instances, COCOM rules call for negotiations in which the US typically finds itself in the minority.

Up till now, other COCOM members have generally gone along with the US in priority situations in return for US willingness to compromise on less critical matters. This gives reason to hope that effective controls probably will be maintained over technology and equipment having important military and strategic applications.

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Spain: *Elections Improve Government Standing*

Candidates favored by the technocrat - Opus Dei faction that dominates the cabinet won a majority of the 104 contested seats in direct elections to the Cortes last week, although the official tally is not complete. The Opus Dei group is expected to improve its position still more in the indirect elections to be held this month to fill most of the remaining 452 seats in the Cortes.

Although the Cortes has severely limited powers, the renewal of its membership every four years is an important bellwether of the strength of the several political factions that support the Franco regime. The previous Cortes was dominated by rival Falangist (strict authoritarian) and syndicalist (official labor organization) factions. The additional support that the Opus Dei faction is expected to pick up in the month-long selection process will give it a majority in the new Cortes. With this majority, the

government can permit the Cortes to exercise a more independent legislative role. The government will also be able to control selection of the Cortes representation in the Council of the Realm, an advisory body that will participate in the selection of a prime minister when Franco decides to give up the post. The prospects will therefore be enhanced that the present cabinet will play a significant role in the post-Franco government.

Voting in the direct elections was light, around 55 percent of the 17 million eligibles. This was close to the participation in 1967, the first time direct elections to the Cortes had been permitted since Franco came to power. Voter apathy reflected the government controls over the election. The campaign was limited to 15 days, candidates were not allowed to use radio and television, and a large number of candidates were government

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office-holders. Other hindrances were the financial burden of campaigning and the fact that a number of the most independent and attention-getting members of the retiring Cortes decided not to run again.

The illegal opposition groups canvassed the possibilities of presenting a slate of candidates they would secretly support since party labels are forbidden, but the plan collapsed because of dissension among Monarchists, Christian Democrats, Socialists, and others. These groups then urged a

boycott of the elections, but the appeal was probably not a great factor in the mediocre turnout.

Three important opposition figures running on their own were re-elected. In addition, the independent candidate from Barcelona, Eduardo Tarragona, a persistent gadfly in criticizing the government, won his seat by a large majority. Some candidates from the various rival government factions also won, so that debates in the new Cortes will be lively in spite of the predominance of Opus Dei. [REDACTED]

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UN: *The Deficit Issue Is Revived*

The Soviets and the French have offered to make voluntary contributions toward meeting the UN's huge deficit, which largely stems from their refusal to honor assessments for UN peace-keeping operations in the Congo (K) during the early 1960s. Their bids, however, appear inadequate and hedged with unpalatable conditions.

Ambassador Malik said at a private Big Four meeting on 1 October that Moscow would make its donation only if the US provided something and announced the amount of its contribution. He further qualified his remarks by maintaining that the USSR's contribution would only be against the \$31.9 million determined by a General Assembly committee in 1965—just after the Congo (K) operations ceased—to be the minimum deficit then current. He declined any interest in either current estimates of a deficit of \$52-70

million (depending on methods of calculation) or the \$119.4 million needed to amortize the UN bonds issued as an emergency solution to the peace-keeping deficit problem.

The French were somewhat more responsive, offering \$3.9 million or 7.5 per cent of the current minimum figure for the deficit. Like the Soviets, they said their donation would be voluntary and directed toward no particular deficit issue, thereby avoiding any accommodation on the "matters of principle" that provoked the lengthy impasse. The French refused to say whether they will offer additional sums at a later date.

The US and the USSR will be meeting at the UN soon for further consultations on the subject, and subsequently the Big Four will reconvene. Hopes for an early resolution of differences appear bleak. [REDACTED]

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MIDDLE EAST - AFRICA

The Arab World

Setting Up Shop

The leaders of Egypt, Syria, and Libya met in Cairo this week at the first session of the Confederation of Arab States presidential council. During the three-day conclave, they began to set up the confederation's structure and consulted on other political and military matters.

The first order of business was to elect a council chairman to serve as president of the confederation—a largely ceremonial post. The selection of Sadat surprised no one. It had been expected that the chairmanship would rotate be-

tween Sadat, Asad, and Qadhafi in that order. The confederal constitution does specify, however, that an incumbent's two-year term can be renewed. The presidential council, in which the confederation's power is concentrated, has no authority to impose policy on a member state. For the next two years, important questions must be decided unanimously, and each member is empowered to determine which issues are important.

The council then proceeded to select Cairo as the confederal capital, establish a headquarters in a suburb of Cairo, and discuss the formation of a cabinet and other bodies.



Sadat, Qadhafi, and Asad sign Federation Agreement, April 1971

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The three also addressed Jordan-fedayeen relations in view of the inconclusive talks in Jidda late last month. Egyptian and Saudi mediators failed to persuade representatives of Jordan and the guerrillas even to paper over their differences. There was no indication of what steps, if any, the three heads of state intend to take on the issue, although Qadhafi has previously argued for sanctions against Jordan if King Husayn continued to balk at concluding a settlement with the fedayeen. [REDACTED]

Another Verbal Round

The Egyptians and the Israelis have reacted unfavorably to Secretary Roger's speech listing six areas of compromise needed for an interim settlement to reopen the Suez Canal. Tel Aviv's reaction was by far the more negative. Even the moderate papers say that the speech represents an "erosion" in the US stand and shows a trend toward "cumulative pressure" on Israel—which, they hasten to add, Israel can withstand. The *Jerusalem Post* called the proposals "a package largely made in Egypt," and the organ of the ruling Labor Party agreed that the speech suggested explicit support for the Egyptian position. One hard-line newspaper said the speech in effect put an end to Washington's role as a mediator because it made the US a party to the negotiations with fixed positions of its own.

Cairo's initial reaction seems to have been critical more or less out of habit. Then—presumably on the theory that anything attacked by Tel Aviv must contain something good for Cairo—Egyptian papers began to find positive elements in the speech. Egypt's semiofficial newspaper *Al-Ahram* gave an impartial synopsis of the speech. It emphasized the secretary's pledge that the US would work constructively to achieve an interim settlement as a first step toward complete fulfillment of UN Security Council resolution 242. One Beirut newspaper—admittedly conservative—reported that Arab UN delegates had expressed "reserved satisfaction" with the address, [REDACTED]

particularly with its stand on Israeli withdrawal. [REDACTED]

Lebanese Government Loses Face

The Lebanese Government has capitulated to public pressure and revoked a decree imposing a tariff on luxury goods. The capitulation attests to the viability of Lebanon's democracy, unique in the Arab world, and shows once again how difficult it is to bring about sorely needed economic and social reforms.

The tariff was intended to encourage local industry and to finance development projects. The powerful Beirut merchants went on strike. They had the support of the public who feared a price rise. Although President Franjiyah has weathered the first real political crisis since he came into office a year ago, his cabinet of technocrats has suffered a loss of face, and its opponents may be emboldened to attack on other issues. Politicians have been demanding a cabinet that is representative of their factions in parliament, but the formation of such a coalition cabinet may be difficult because of the unwillingness of the factions to cooperate. [REDACTED]

Refugee Problems

Both the UN Relief and Works Agency and Amman face severe budgetary problems that hamper efforts to alleviate the plight of the Palestinians in the refugee camps of Jordan. UNRWA Commissioner General Rennie told a General Assembly committee this week that cuts in the agency's program to resettle the refugees permanently will soon be imperative unless income is greatly increased. Jordan does not have the estimated \$400,000 that would be needed to take over and expand UNRWA's efforts to induce refugee resettlement in the East Ghor Valley. Amman may also be chary of breaking with the traditional reluctance of Arab governments to acknowledge any responsibility for the Palestinian problem. [REDACTED]

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Soviet Military Shipments to Egypt

The current level of Soviet seaborne military deliveries suggests that the military establishment in Egypt is being maintained rather than built up, as was the case in 1970 and early 1971 when the air defense system was significantly expanded. Although deliveries in September appear to have declined well below this year's monthly average, monthly arrivals vary considerably and not too much can be read into it.

About half of the seaborne military cargoes are not identified, but the mix of the remainder has changed somewhat this year compared with the first nine months of 1970. This year a greater share has consisted of fighter aircraft and helicopters, primarily MIG-21 interceptors and MI-8 helicopters, largely delivered earlier in the year. Shipments of surface-to-air missile equipment, a big factor in last year's deliveries, have represented only a small portion of the total in 1971.

The number of trucks observed, ranging from utility to specialized vehicles, has increased markedly over 1970. This may reflect the delivery of advanced electronics and communications equipment that the Egyptians have been seeking to counter Israeli improvements in the same field.

President Sadat is expected to discuss more military equipment during his upcoming visit to Moscow, and his requests are likely to focus on such items as additional electronics counter-measure materiel. He may also bring up the chronic problem of inadequate spare parts that result in down time and frequently require emergency deliveries. In any case, Egypt's primary defense problem continues to be the lack of trained personnel to man and maintain the large quantities of equipment already on hand. 25X1

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Tunisia: *Politicians Look to the Future*

The eighth congress of the Destourian Socialist Party, which convenes on 11 October, faces the need to prepare for a future without Habib Bourguiba, the dynamic and Western-oriented President who has dominated Tunisian politics for nearly 40 years. If his health permits, Bourguiba will appear at the congress to appeal for continued party unity, but for the most part he will remain in the wings and his subordinates will carry out his directives.

Two interrelated problems will dominate the congress—decentralization of power and an orderly presidential succession. Guidelines were laid down by Bourguiba 15 months ago when he named a superior commission to propose revisions to the Constitution and to prepare for the congress. At the time, he suggested that the authority of the cabinet and the National Assembly be increased and procedures for presidential succession reviewed.

For the past decade, Bourguiba has balanced an unwillingness to share autocratic power with a deep desire to assure orderly succession. At his request,

the constitution was amended in early 1970 to provide that the prime minister would succeed in the event of the death or incapacitation of the president. Last fall, Bourguiba seemed to be having second thoughts about this arrangement, and the commission drafted a new amendment providing for the temporary accession of the president of the National Assembly and the election of a new president within a month. It is not known whether this new proposal will be submitted for approval, since the documents prepared for the study of delegates in advance of the congress have not been made public.

Debate over these and other issues probably will be lively and may become bitter and divisive, reflecting the factionalism and personal antipathies that have rent the party along regional and ideological lines. The structure that emerges from the congress will probably be similar to past hierarchies. It should, however, be more representative of the rank and file and provide a better opportunity for dialogue between local and regional units and national leaders.

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India's Green Revolution: *A Plus and Some Minuses*

New Delhi's drive since the mid-1960s toward self-sufficiency in food grains has seriously limited the production of industrial crops. Food grain production reached record levels this year, 21 percent higher than the 1964-65 bumper crop. But some of the gain comes at the expense of industrial crops, since scarce irrigated land has been shifted to more profitable food grains.

The resulting decline in production of cotton, jute, and oilseeds has caused serious shortages of raw materials for major industries using these crops. This has resulted in significant price rises, a squeeze on industrial profits leading to business failures, shortages of consumer goods, and losses of export earnings. Over-all industrial output increased by only five

percent during 1969 and 1970 instead of the nine percent growth target.

The cotton textile industry has suffered most. Short supplies of domestic cotton, combined with restrictive government policies, which include limiting imports of long-staple cotton needed by larger factories, has sharply raised raw cotton prices. The output of textiles has failed to meet domestic demand and per capita availability of cotton cloth has declined.

The erratic domestic jute supply, together with limits on raw jute imports, export taxes, and restriction on investment in jute manufacturing, have resulted in a sharp decline in India's share of the world

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market. Fluctuations in the price and supply of jute manufactures have induced foreign consumers to shift to other sources or to synthetic substitutes.

The price of oilseeds and their products has risen about 50 percent since mid-1968. The increase reflects not only lagging domestic production, but also increased domestic demand for edible oils as incomes have risen. Imports of oil substitutes such as tallow have increased, and exports of certain oilseed products have been restricted. Per capita consumption of edible oils is still at about the 1963-64 level.

The slowdown in industrial crop production has not seriously affected India's balance of payments, mainly because of government import

restrictions. Despite the shortages described, imports of edible oils, cotton, and jute have declined since 1967-68.

With all of India's arable land already under cultivation, accelerated industrial crop production can be achieved only by shifting land back from good grains or by improved yields. Clearly, the latter is the more promising option, as New Delhi is not likely to reduce significantly its incentive programs for food grains. The keys to higher yields are adequate irrigation and the development of more productive techniques, including improved seeds. Progress in these areas will be slow, however, unless the government provides new—and costly—incentives for industrial crop growers. [REDACTED]

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Pakistan: *East Side, West Side*

Islamabad's efforts to ease its troubles in East Pakistan are not making much headway. The US Embassy in Islamabad reported recently that the Mukti Bahini guerrillas are gradually stepping up their activities and may attempt to launch a major offensive later in the fall.

According to the embassy, the government has failed to undercut popular support in East Pakistan for the guerrillas, especially in rural areas. The army continues to carry out reprisals against the population, and recent government measures, ostensibly designed to mollify the East Pakistanis but probably aimed primarily at reducing international criticism of the government, have not made much of an impression on the people. Civil administration in the province is functioning very badly and in many areas is non-existent. In some districts the insurgents appear to have established parallel administrative structures.

In West Pakistan, on the other hand, the government continues to enjoy widespread support. The strife in the east has not yet caused severe economic dislocations in the western prov-

inces. The separatist elements that have long existed in several parts of the western wing remain quiescent. Efforts by the regime to bring about unity among the various factions of the conservative Muslim League have floundered, and Z. A. Bhutto's leftist Pakistan People's Party remains unchallenged. However, the government apparently still hopes to strengthen rightist groups at the party's expense.

Elections to fill vacant East Pakistani seats in the national assembly are scheduled for December, and Bhutto's party—heretofore based entirely in West Pakistan—plans to participate. He hopes to emerge from the balloting with a majority of assembly seats and to form a national government shortly thereafter. Bhutto recently stated that he and his followers would wait at least until next January before resorting to more drastic measures to force a return to civilian government. By then, there is a strong chance that their expectations will have been thwarted by a poor showing by their party in the elections, by further slippage in Yahya's election timetable, or by government disinclination to turn the reins of power over to civilians. [REDACTED]

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~~SECRET~~**Guinea: *Another Judgment Day***

A "peoples trial" of another large group of alleged traitors appears to be nearing an end, but this probably does not mean an end to the terror that has gripped Guinea for months. President Toure still feels insecure and continues to search for help in combating what he believes is a foreign-backed invasion threat.

Last week, the various levels of Guinea's single political party began meetings to consider confessions broadcast over Radio Conakry. These conclaves are to forward recommendations on the disposition of nearly 150 alleged traitors and "mercenaries." The date for final sentencing is uncertain. The procedure probably will follow closely that used last January when the National Assembly met as a "revolutionary tribunal," which condemned 91 to death; 15 were subsequently hung publicly. During September, the focus shifted slightly from high-level "traitors" to the activities of long-time resident foreigners engaged in business. The total number jailed since January is not precisely known, but probably is several times the 150 currently facing sentencing.

Part of the game is to maintain pressure on the US, which, Toure is convinced, is in a position to block any new Portuguese attempt to overthrow him. Last month's batch of public confessions advanced the charges of US involvement in Guinea's

domestic affairs a step further by specifying American complicity in past attempts to assassinate Toure and to overthrow his government. Toure evidently intends to keep up these verbal attacks until Washington shows its support in more concrete terms. Toure may have in mind such things as a favorable US response to a recently reiterated request for military aid.

The USSR continues to exploit Toure's security fears and the West's difficulties in Guinea. Moscow's prompt response to Toure's pleas for help last November included a show of naval strength. Soviet warships arrived off Guinea in mid-December and two or three ships have remained in the area almost continuously, making occasional port calls. They were anchored in Conakry harbor from late August to 6 October.

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At the UN, the long-delayed report of the Security Council mission to Guinea was finally introduced on 29 September. Toure requested the mission last August to investigate an alleged imminent invasion threat. Its report contains no recommendations, and it may not lead to a council resolution.

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CENTRAL AFRICAN REPUBLIC: Bangui is quiet again after demonstrations last week in support of President Bokassa's current effort to loosen Paris' financial controls. Mob violence against French nationals and property shook up the French community, which has calmed down considerably and largely returned to work; Paris appears to be taking the episode in stride. A US Embassy source has claimed that, while the demonstrations were going on Bokassa foiled a military coup attempt against him. So far, however, the President has not denounced or moved against any plotters nor instituted extraordinary security precautions.

The demonstrations appear to have been staged to coincide with talks between Bokassa and a representative of the Paris-based Central Bank of Equatorial Africa, which issues the republic's currency. Bokassa wants the bank's monetary controls and his country's share of its reserves transferred to Bangui and the currency revalued. Apart from nationalistic reasons, Bokassa probably is motivated by his perennial quest for ready cash to meet current expenses.

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WESTERN HEMISPHERE

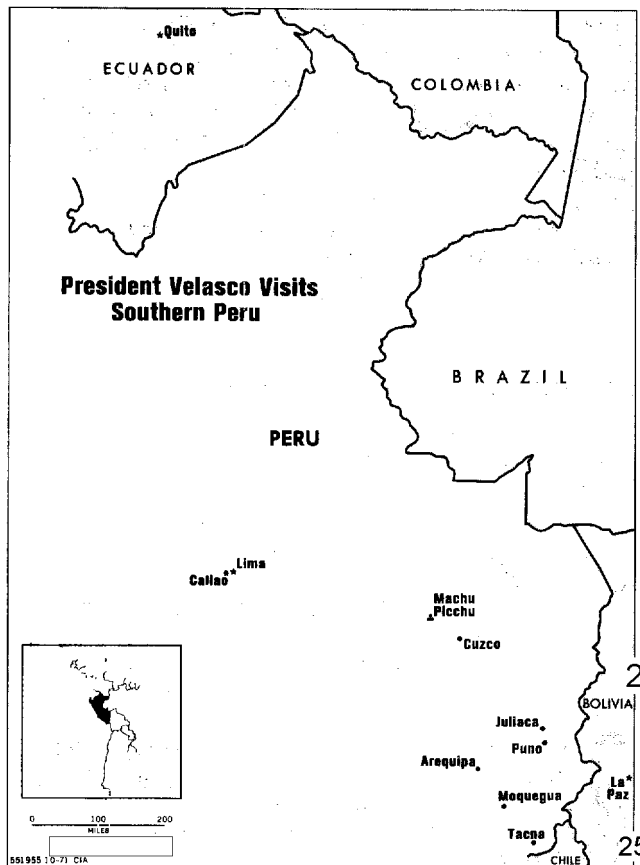
Peru: *Velasco Takes to the Provinces*

In his first major trip outside Lima in the three years since assuming power, President Velasco last week made a swing through the southern part of Peru. He wanted to impress the peasants and others in the south with the aims of the revolutionary government and gain additional support in this part of the country.

President Velasco's speeches, especially the one in Arequipa on the anniversary of the coup, overflowed with nationalistic rhetoric. He praised his government's agrarian reform program and, in the plaza where an Inca descendant was executed in the eighteenth century, proclaimed, "The land belongs to whoever works it, so this land is yours." The President hastened to add that legal formalities must be respected. He defended his government's recent action against striking teachers, claiming that the teachers had been used by "antirevolutionary forces."

President Velasco also handed out a few economic plums to the southern area. He authorized construction of a road linking Cuzco to Machu Picchu, Peru's greatest tourist attraction. New hotels will be built in both places, taking advantage of incentives under the new tourism law. Another law establishes specific incentives for private industries established outside the Lima/Callao area. The President also authorized investment by the Peruvian mining corporation in a copper concession south of Cuzco. These projects should provide important economic stimulus to the entire Cuzco area.

The Velasco government clearly is beginning to come up against problems in carrying through its programs after three years of revolutionary rhetoric, accompanied by initial reforms in some areas. In Arequipa, he admitted, "No revolution can be free of errors and shortcomings." His drumbeating in the south should give the government increased support and a little breathing space in that area.



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Argentine Military Shaken by Navy DiscounCODED

Changes in the top navy command have added to military dissension and prompted rumors of more far-reaching changes. The navy has insisted that the sudden dismissal of five senior officers was an internal problem, but speculation in the public media—and even among many military officers—is that it poses a political crisis for the Lanusse government.

25X1 The forced retirement of the navy chief of staff and the chief of naval operations and the removal of three other senior officers from their posts reportedly resulted from an attempt to force the removal of Admiral Gnavi as navy commander in chief.

Five additional admirals reportedly have requested early retirement in a demonstration of solidarity with the dismissed officers and in an apparent attempt to maintain the pressure on Gnavi and force his resignation from the navy and the three-man governing junta.

The apparent deterioration of morale and unity in the armed forces is likely to sharpen the concern of senior officers who are already wary of Lanusse's political and economic policies. Thus, policies that appear divisive to the military, such as Lanusse's rapprochement with the Peronists, could begin to meet with strong opposition from the senior generals on whom Lanusse relies for support.

Brazilian Terrorists on the Defensive

The last year has been a period of retrenchment for the terrorists who face an increasingly efficient government campaign to suppress them. The last important surge of terrorist violence, in mid-1970, was capped by the kidnaping of the West German ambassador. The subversives' plans to launch a sustained campaign in November 1970 had to be abandoned after the death of terrorist leader Joaquim Camara Ferreira in October. The abduction of the Swiss ambassador in December appears to have been an isolated act and not part of a general campaign of urban violence. The substantial improvement of the armed forces' techniques against rural groups was demonstrated last month in the tracking down and killing of renegade army Captain Carlos Lamarca.

Although the tempo of activities in Rio de Janeiro and Sao Paulo has increased since May, the activity is of a much more limited nature than that executed during the high-water period of 1969 and 1970. The recent operations consist largely of robberies, attacks on police and military vehicles, raids on government offices, and seizures of printing equipment. Many of the actions have been joint operations carried out by small teams from more than one group.

The largest and best organized groups are the National Liberating Action and the 8 October Revolutionary Movement (MR-8), both of which have their roots in dissident factions that developed in the Brazilian Communist Party in 1967. These two

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groups have acted cautiously during the past year, and have been damaged less as a result. The third major terrorist organization—the Popular Revolutionary Vanguard—has suffered from the combined problems of general exhaustion and the loss of several key members. Lamarca's defection from the Vanguard last March was a symptom of its decline. Its strength had been based on conventional military skill and daring.

The authorities have failed to follow up on many of their successes, giving the terrorist groups time to fall back and to recruit the few replacements they can use effectively. The number of active members of armed revolutionary groups probably does not exceed 100 within Brazil, and about as many in exile. No more than 1,000 persons, out of a popu-

lation of 93 million, have ever taken part in violent opposition to the government.

The government has demonstrated that, while it is unable to eliminate armed terrorism, it has the ability to restrict such activities to essentially inconsequential skirmishes. It has been suggested that the security forces now are overplaying terrorist activities in order to justify the retention of extraordinary political controls. Leaders of the opposition party have already claimed that Lamarca's death removes the government's rationale for maintaining authoritarian controls in force. Spokesmen for the progovernment party, reflecting the view of the security forces, contend that the terrorists have retreated only long enough to replenish their leadership. [REDACTED] 25X1

Guatemala Beset by Church and Students

The Arana government's approach to the security problem is under cautious attack from several quarters. It is extremely sensitive to criticism and may crack down hardest on its least favorite Guatemalan institution, the University of San Carlos. Only last week, the government expelled two foreign clergymen for interfering in Guatemalan affairs, and it has not been much less subtle in warning the domestic clergy. Silence by the government now might let the storm blow over, but there are signs that other elements unhappy with the high levels of violence—a good deal of which is caused by security operations—may be emboldened to speak their piece.

Already irritated by pleas from their partisans to end the eleven-month-old state of siege, President Arana and the military have been meeting a proliferation of similar protests. On 20 September several church officials, including Episcopalian Bishop Frey, a US citizen, released a document calling for an end to the systematic extermination of citizens and asserting that the perennial violence in Guatemala is a symptom of moral depravation. It asked for the lifting of siege so that the law might operate demo-

cratically. A few Catholic priests signed, but most Catholic officials passively dissociated themselves from the declaration. The top church official has now dissociated himself publicly after a personal warning from President Arana to keep the clergy out of politics. This warning to the church, however, did not deter university groups, opposition congressmen, and the bar association from publicly concurring in the protest against violence.

Coincidentally, the bad blood between the largely leftist university and the government was also agitated on 20 September with the killing of a Communist professor. Several university faculties at San Carlos are now on strike, believing—correctly—that he died at government hands. Tension escalated with the government's kidnapping of another Communist professor, since released, and of a Communist student, whose detention the government now admits. The government has sent a letter to the student council warning it not to place the nation in the "tragic position of choosing between university autonomy and the liberty of all Guatemalans," and alluding to the closure of universities in other Latin American countries. [REDACTED]

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Panama Prepares for Anniversary

The government, having devoted considerable time and effort to getting a large crowd into Panama City for the third anniversary of the Provisional Junta Government, is now concerned lest provocateurs cause anti-US incidents. Initial publicity had billed the 11 October rally as an opportunity for the people to demonstrate support for the government's position on treaty negotiations and had stressed the attainment of total sovereignty over the Canal Zone. More recently, however, the government has played down the sovereignty and treaty issues.

promise of higher wage rates and an intensification of the government's development efforts. He may announce an administrative reorganizing to increase government responsiveness to local problems and may hint at future steps toward normalization of the political process. Dramatic announcements heralding either bold revolutionary schemes or a quick return to constitutional government are not in prospect. Torrijos, however, to demonstrate his independence from the US may announce publicly the establishment of diplomatic relations with Romania.

Security forces will be much in evidence and even Panama City firemen will be pressed into service to keep the crowd, expected to reach 100,000, under control. The government seems resolved to prevent violence and discourage incursions into the zone. Given the number of people expected and their proximity to the Canal Zone, the potential for trouble is high. Not all elements of the crowd will be friendly to the regime and some may seek to embarrass Torrijos by creating disturbances. Some students, moreover, might seek to win momentary glory by raising the Panamanian flag in the zone.

Torrijos may focus instead on domestic issues and attempt to put the best face on the regime's rather limited accomplishments. He will undoubtedly make the now-ritual obeisance to labor and the peasantry. He may hold out the

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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Bhutan Enters the World Arena

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№ 44

8 October 1971
No. 0391/71A

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On 21 September 1971, the Year of the Iron Hog in Bhutan, the country was elected to membership in the UN. This secluded Himalayan kingdom, one of the world's smallest independent states, enters the international arena backed by a population of one million who live in a feudal manner not much different than was the case in the 17th century when Bhutan first became a distinct political entity. Since the mid-1960s, a small group of Bhutanese elite has aspired to UN membership in order to ensure international recognition of Bhutan's sovereignty and to hasten development of its backward economy.

The country, almost totally dependent on India for economic and military assistance, is required by treaty to be "guided" by Indian advice in foreign affairs. New Delhi's interest in Bhutan rests heavily on the fact that Bhutan borders on the strategically sensitive Indian corridor that leads to isolated northeast India. New Delhi energetically endorsed the Bhutanese bid for a UN seat, and Bhutan is expected to vote with India on most issues. Peking appears content to see Bhutan develop further as a viable buffer state and has not pressed earlier territorial claims.

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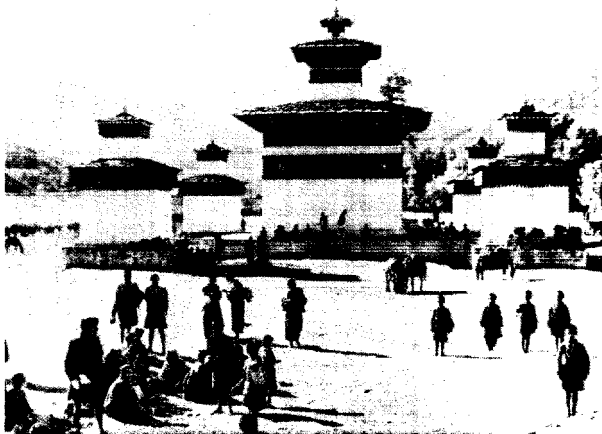
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A Self-sufficient Kingdom

The landlocked Himalayan kingdom, about 19,000 square miles, is nearly the size of Vermont and New Hampshire combined. The majority of its population are Bhotias—Buddhists of Tibetan extraction. This group, which shares the basic features of Tibetan culture, dominates the government and the clergy. People of Nepalese origin and a number of small tribal groups are distinct minorities on the fringe of Bhutanese society. Much of the population lives in almost inaccessible valleys largely untouched by the laws and activities of the government.



Life is primitive, but, compared to much of the rest of Asia, living standards are relatively good. The Bhutanese are self-sufficient, meeting their basic needs by farming, livestock raising, cottage industries, and trade. The country has a good economic potential, but its vast forests have scarcely even been explored, and its mineral resources have not been tapped. Less than five percent of the population is literate, and basic elementary education is just beginning in a limited number of government schools. Some 500 Bhutanese attend secondary schools in India, but probably no more than a few hundred Bhutanese have ever traveled beyond India's borders. The kingdom's international affiliations, prior to admission to the UN, were confined to membership in the Colombo Plan and the International Postal Union.

Constitutional Monarchy in the Making

The ruler of Bhutan is 43-year-old Jigme Dorji Wangchuk. The King (whose official title is Druk Gyalpo or Dragon King) succeeded to the throne in 1952, about 35 years after his grandfather centralized power in the Wangchuk family and became the first monarch of all Bhutan. The family is still in full control. There is no evidence of a serious challenge to the King's pre-eminence in both secular and religious affairs, but Bhutanese history is checkered with power struggles between prominent families. The anticipated



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increase in developmental efforts could upset long-standing balances, and there has already been some evidence of dissension between traditionalists, particularly within the monasteries, and more progressive elements favoring modernization. The King and Queen have lived apart since the mid-1960s when members of her influential family, the Dorjis, were involved in an unsuccessful conspiracy for enhanced power at the King's expense. The King's half-brother has since become his chief adviser, a post previously held by a Dorji.

At present, political power is centralized in the monarchy and a small circle of court officials drawn from the monasteries and landed elite. The few reports emerging from Bhutan indicate that a rudimentary system of representative government is developing at a slow pace. In recent years, the King has taken steps to make the government more democratic, and his proclaimed goal is the establishment of a constitutional monarchy. A 150-member legislature (the Tshogdu or National Assembly), consisting of elected village headmen and Buddhist lamas as well as royal appointees, has functioned since the mid-1950s. In 1968 the King set up a cabinet that now numbers five. The ministers belong to a larger Royal Advisory Council that makes recommendations to the King on economic and administrative matters. The King has introduced a number of reforms, including Bhutan's first law code. More recently, he set up a high court with the authority to hear appeals against judgments of district courts and administrators. A potentially far-reaching innovation was added in 1969 when the King decided that his continuation should depend on his getting a two-thirds majority in a vote to be taken every three years in the National Assembly. Such a vote of confidence was taken last May, and the King won 133 of the 137 votes cast. There are no political parties, but the King has not foreclosed the possibility of their eventual creation.

The King has not recently been incapacitated due to serious illness, as he was several times in the last decade, but his health is not considered



King Wangchuk

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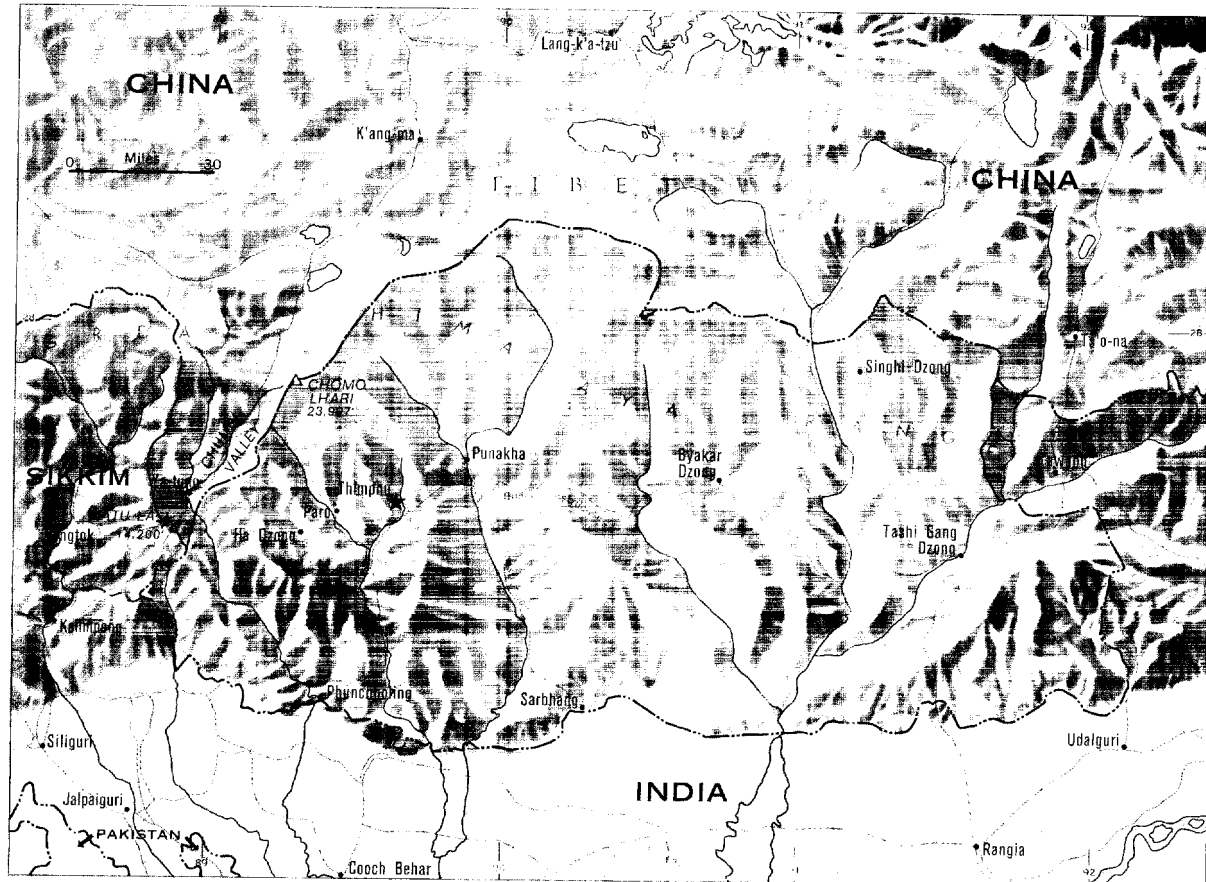
Top: Monks blowing ceremonial trumpets
Center: Market place in Chortens
Bottom: Women pounding grain

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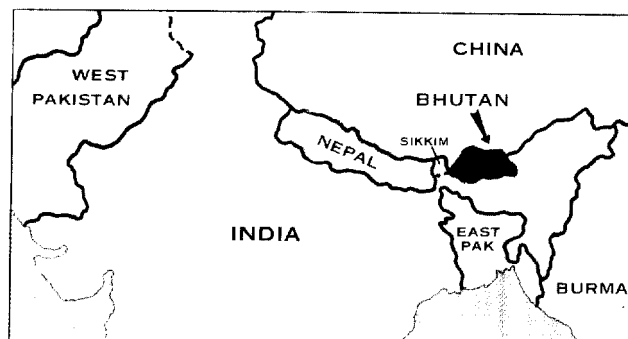
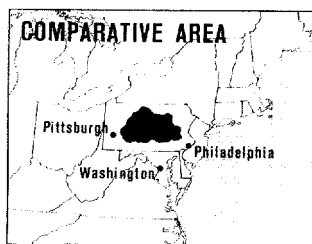
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Kingdom of BHUTAN



AREA: 19,000 sq. miles
POPULATION: approx. 1,000,000



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robust. On his death, or in the highly unlikely event he were to be voted out of office, the throne would pass to the crown prince, who will be 16 in November. A four-man regency council will actually rule until the heir reaches his 21st birthday. The crown prince, who received his secondary education in England and is now being tutored in Bhutan, already has had a far more extensive exposure to the outside world than has his father.

The Crucial Indo-Bhutanese Relationship

India is the most important factor in Bhutan's development. New Delhi inherited Britain's relationship with the kingdom after Indian independence in 1947, and in 1949 a treaty of friendship marked India's formal succession to the role played by Britain. The treaty recognizes Bhutan's sovereignty but requires that the country "be guided by the advice" of India in its external relations. The two countries apparently have reached an accord on the imprecise stipulation regarding foreign affairs, and neither claims a desire for treaty revision. Domestic matters remain in Bhutan's own hands.

In the late 1960s, the Indian Government committed itself to sponsor Bhutan for membership in the UN at some unspecified date. Although progress toward this end probably proceeded faster than New Delhi anticipated, the Indians responded to Bhutanese pressure with enthusiasm and good faith. The Indian UN delegation assisted Bhutanese officials who attended recent UN General Assembly sessions as unofficial observers, provided them with training in diplomacy, and undertook a successful lobbying effort last winter to win Security Council approval for the Bhutanese bid.

The Indians will underwrite most of the cost of maintaining a three-man Bhutanese delegation in New York and will, in effect, groom the delegates for their new role. In return, Bhutan can be expected to vote with India and the Afro-Asian group on most issues. Both are also very much

interested in the international recognition accorded Bhutan, establishing its separate identity. This is significant because the Bhutanese-Tibetan border is undemarcated; indeed, there is no evidence of any treaty that comprehensively defines the more than 200-mile border. Moreover, Bhutan borders on the strategically sensitive Indian corridor that leads to the isolated northeast region.

Indo-Bhutanese relations have become more extensive in concert with Bhutan's growing ability to absorb additional help, particularly in terms of economic aid and training. The kingdom is almost totally dependent on India for financing developmental programs. Bhutan's annual revenue, derived largely from taxes on land and its produce, amounts to only slightly over \$1 million. Its foreign exchange earnings total less than \$100,000, mostly from the sale of postage stamps to collectors. New Delhi plans to contribute about \$47 million to Bhutan's third Five-Year Plan (1971-76), a substantial increase over previous help. In addition, India is making sizable contributions for road construction and is responsible for building the first roads usable by four-wheel-drive vehicles. These join major settlements and connect the capital, Thimphu, with the Indian border.

Hundreds of Indian technicians and advisers are assigned to Bhutan to work on numerous development projects. They are gradually being replaced as more Bhutanese acquire the necessary skills. The pervasive Indian presence arouses resentment among some Bhutanese officials, but the small number of trained Bhutanese makes the situation unavoidable.

The Indo-Bhutanese Defense Arrangement

Indian involvement in Bhutan's defense organization is even more pronounced. In the late 1950s and early 1960s, when Peking published maps claiming more than 300 square miles of northeastern Bhutan and spoke of "liberating" Bhutan and other Himalayan frontier states "wrongfully held by imperialist India," New

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Delhi began strengthening Bhutan's defenses. Several months before the outbreak of Sino-Indian hostilities in October 1962, New Delhi established a military mission in Bhutan to train and reorganize Bhutan's defense forces. Now, officers in the 6,000-man army receive basic training under Indian direction at the military academy at Ha Dzong in western Bhutan, and some officers are sent for additional training to military institutions in India. In addition to their training function, Indian officers serve with Bhutanese field units, and India regularly rotates Indian Army units through Bhutan, sometimes conducting joint exercises with the Bhutanese.

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Indian troops are believed still to man watch posts on the Tibetan-Bhutanese border, with special interest focused on the five strategic passes serving as potential invasion crossing points for an army moving from Tibet into India.



Both the Bhutanese and Indians recognize that Bhutan could not by itself withstand Chinese incursions. Both seem to believe a close defense relationship enhances Bhutan's security.

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there has been no recent indication of Chinese pressures on Bhutan's borders. It is likely that Chinese troops and Tibetan graziers occasionally wander across the open border by mistake.

There has been, as far as is known, no recent official contact between Bhutan and Communist China. Sino-Bhutanese relations deteriorated following the Tibetan uprising in 1959 and the withdrawal of the Bhutanese representative in Lhasa. There are no formal ties between the two nor any indication that the Bhutanese are planning to seek resumption of special political or trade relations with Tibet. Chinese troops continue to patrol the border region, but Peking has not pressed its former boundary claims. A Bhutanese official recently declared that in 1970 the Chinese published maps of the border that seemed to indicate



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Peking's acceptance of 'Bhutan's version of the border.

Bhutan Sends Out First Diplomats

In preparation for its debut at the UN, Bhutan established its first permanent mission in India last May. The 48-year-old Pema Wangchuk, who had served as an assistant to the King and more recently as a liaison officer in the Indian road-building effort, was named Bhutan's "special representative" in India. In reciprocation, the ranking Indian official in Bhutan, B. D. Das, was accorded a similar title.

For the near future, Bhutan does not plan to establish any missions in addition to its posts in New Delhi and New York. Designated as its UN permanent representative is 43-year-old Sangey Penjore, minister of communications and a distant relative of the King. He has been in government administration since 1945 and was intricately involved in the steps leading to UN membership. In his brief contacts with US officials, Penjore has appeared friendly and intelligent. He is assisted by an Indian official, A. M. Ram, who is on loan from the Indian Foreign Ministry and had spent the previous three years as an adviser in Bhutan. The second secretary and head of chancery is Kingley Wangdi. Wangdi has dealt with foreign affairs in the National Assembly and served as observer at UN General Assembly sessions during the last three years.

The US has no plans at present to open a post in Thimphu and will conduct its relations through the Bhutanese missions in New York and New Delhi. The US had already recognized Bhutan as a sovereign independent state.

The top echelon of Bhutanese officialdom is relatively realistic about Bhutan's shortcomings in terms of finances and lack of educated manpower. Nevertheless, they decided to push for early full UN membership instead of limiting their participation to the UN's specialized agencies.



King with Indian President Giri and wife

Opposite Page

Top: Indian Army border post
Center: Troops march before King's residence
Bottom: King watches militia training

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Furthermore, full membership was the only option open as the UN has not yet devised a form of associate membership for "micro-states," such as Bhutan.

There is a realization in Bhutan of the danger of proceeding too fast in opening the country's doors to the world. The King has taken specific measures to preserve Bhutan's heritage; for example, by insisting on the wearing of traditional national dress and by the observance of ancient cultural traditions. Tourism may eventually bring much needed foreign exchange, but

today the country is accessible only to invited guests. In large part, this is due to the Indian Foreign Ministry, which has strict control over visas to Bhutan. In practice, this means that with few exceptions all but government officials, selected journalists, and the King's special guests are excluded. As Bhutan begins to flex its muscles, it probably will seek to assume added responsibilities in the field of foreign affairs. For the near future, however, the Indians and the Bhutanese will continue their cordial political, economic, and military relationship, especially their mutual obligations in the realms of defense and foreign affairs.

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*Thunderbolt and Dragon*

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